

Message Text

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ORIGIN EB-07

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L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

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TO AMEMBASSY OTTAWA PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, GATT, CA

SUBJECT: CANADIAN IMPORT RESTRICTIONS ON EGGS

REF: OTTAWA 2857

1. EMBASSY IS REQUESTED TO INFORM GOC AS FOLLOWS:

2. US CONTINUES TO URGE CANADA TO RETURN TO OPEN BORDER
TRADE IN EGGS AND TURKEYS AT THE EARLIEST POSSIBLE DATE.

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3. HOWEVER, IN THE INTERIM, WITHIN CONTEXT OF CANADIAN

PROGRAM GOC SHOULD TAKE STEPS TO MODERATE THE IMPACT OF QUANTITATIVE RESTRICTIONS ON US SUPPLIERS. THE CANADIAN FORMULA WHICH WOULD SET A QUOTA BASED ON 1969-1973 TRADE PLUS 20 PERCENT FAILS TO TAKE INTO ACCOUNT THE STRONG UPWARD TREND IN US EXPORTS SUBSEQUENT TO 1973, A TREND WHICH WOULD HAVE BEEN EVEN HIGHER HAD CANADIAN RESTRICTIONS NOT BEEN IN EFFECT.

4. IN ADDITION GOC HAS NOT PROVIDED US WITH THEIR ESTIMATE OF PLANNED EXPORTS TO THE US UNDER SAID PROGRAM. US ASKED GOC, AT JULY 18 CONSULTATION AND IN FOLLOW-UP DISCUSSIONS WITH CANADIAN EMBASSY, TO MAKE PUBLIC ALL THREE SIDES OF THEIR CONTROL PROGRAM, I.E., 1) IMPORTS, 2) DOMESTIC PRODUCTION, 3) EXPORT PORTION OF DOMESTIC PRODUCTION. IN WASHINGTON TALKS WITH US OFFICIALS GOC STATED IT HAS THIS LAST FIGURE. AS NOTED IN PREVIOUS DISCUSSIONS WITH CANADIANS, WE BELIEVE PUBLICATION OF THIS FIGURE WILL PROVIDE US PRODUCERS CLEARER IDEA NOT ONLY OF RESTRAINTS CANADIANS HAVE IMPOSED ON US EXPORTS TO CANADA AND ON LEVEL OF CANADIAN PRODUCTION, BUT ALSO ON AMOUNT OF EXPORTS TO US CANADA HAS FACTORED INTO THEIR PRODUCTION CONTROL MECHANISM.

5. TWO PETITIONS RE THE CANADIAN RESTRICTIONS HAVE NOW BEEN SUBMITTED UNDER SECTION 301 OF THE TRADE ACT. WE UNDERSTAND AT LEAST ONE OF THE PETITIONERS INTENDS TO PROCEED IN THE ABSENCE OF TOTAL REMOVAL OF CANADIAN RESTRICTIONS. ASSUMING CANADIANS ARE UNWILLING TAKE THIS STEP, WE WILL THUS HAVE A LEGAL OBLIGATION TO PROCEED WITH HEARINGS UNDER SECTION 301 AND TO PUBLISH THIS COMPLAINT IN THE FEDERAL REGISTER AT AN EARLY DATE.

6. HOWEVER, WHILE A POSITIVE RESPONSE BY GOC ON TWO ITEMS NOTED ABOVE IN PARAS 3 AND 4 WILL THUS NOT, REPEAT NOT, PREVENT FILING A SECTION 301 COMPLAINT AND REVIEW THEREON, IT WOULD PLACE CANADIAN PROGRAM IN A MUCH BETTER LIGHT GOING INTO SECTION 301 HEARINGS THAN IS NOW THE CASE.

7. ASSUMING CANADA ASSURES US IT IS WILLING TO WORK TOWARD RESOLUTION OF THIS ISSUE AND WISHES TO AVOID LIMITED OFFICIAL USE

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PUBLIC CONFRONTATION OVER ISSUE, WE WOULD BE PREPARED MAKE STATEMENT AT TIME OF PUBLICATION OF 301 NOTICE TO THE EFFECT THAT WHILE WE HAVE NOTIFIED CANADA WE OBJECT

TO THESE RESTRICTIONS, WE HAVE BEEN CONSULTING WITH GOC AND THE CONSULTATIONS ARE CONTINUING WHICH BOTH COUNTRIES HOPE WILL LEAD TO A MUTUALLY SATISFACTORY SOLUTION AND WE WILL FACTOR PROGRESS ON THIS ISSUE INTO THE PROCESS OF

MAKING A DETERMINATION UNDER 301 PROCEEDINGS.

8. EMBASSY SHOULD REMIND GOC THAT US HAS NOTED CONCERN
ABOUT THE CONSISTENCY OF NATIONAL MARKETING PLANS
INCORPORATING IMPORT QUOTAS ON AGRICULTURAL PRODUCTS

SUCH AS THE CANADIAN SCHEMES ON EGGS AND TURKEYS WITH THE
REQUIREMENTS OF THE GATT, PARTICULARLY ARTICLE X1. THE
US PLANS TO SEEK AN ADVISORY OPINION ON THIS MATTER IN
THE GATT. SINCE WE BELIEVE CLARIFICATION OF THESE ISSUES
WOULD BE IN THE INTERESTS OF BOTH OUR GOVERNMENTS, EMBASSY
IS REQUESTED TO DETERMINE IF THE GOC WISHES TO JOIN WITH
THE US IN THIS REQUEST. GATT CONSIDERATION COULD BE
INITIATED IN ARTICLE 22 AND COULD FOCUS INITIALLY ON
WHETHER THE CANADIAN PROGRAM MEETS THE REQUIREMENTS OF
ARTICLE X1.

9. WE WOULD THEN WISH TO EXPLORE WHETHER AND TO WHAT
EXTENT CANADIAN QUOTAS CONSTITUTE AN IMPAIRMENT OF GATT
CONCESSIONS .

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